

# Chapter Planning Guide

# 24

## Key to Ability Levels

**BL** Below level

**OL** On level

**AL** Above level


**ELL** English  
Language Learners























## Key to Teaching Resources

 Print Material

 CD-ROM

 DVD

 Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					<b>FOCUS</b>					
BL	OL	AL	ELL		Daily Focus Skills Transparencies		24-1	24-2	24-3	
					<b>TEACH</b>					
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 225	p. 228	p. 231	
	OL	AL			Economics Activity, URB			p. 5		
BL	OL	AL	ELL		Speaking and Listening Skills Activity, URB				p. 9	
	OL	AL			Primary Source Reading, URB				p. 15	
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 45	p. 45	p. 45	p. 45	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 47	p. 47	p. 47	p. 47	
	OL				Biography Activity, URB		p. 49			
BL	OL	AL	ELL		Writing Skills Activity, URB			p. 51		
	OL	AL			Critical Thinking Skills Activity, URB		p. 53	p. 53	p. 53	
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB				p. 55	
BL	OL	AL	ELL		Differentiated Instruction, URB			p. 57		
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 59	p. 59	p. 59	p. 59	
BL	OL		ELL		Guided Reading Activities, URB*		p. 63	p. 64	p. 65	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.			Ch. 24		
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Free Enterprise System* for this chapter's URB materials.

\* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					<b>TEACH</b> <i>(continued)</i>					
<b>Teacher Resources</b>					Building Academic Vocabulary	✓	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓	✓
					<b>ASSESS</b>					
BL	OL	AL	ELL		Quizzes and Tests*		p. 286	p. 287	p. 288	p. 289
BL	OL	AL	ELL		Authentic Assessment with Rubrics		p. 28			
BL	OL	AL	ELL		Standardized Test Practice		p. 47	p. 47	p. 47	p. 47
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		24–1	24–2	24–3	Ch. 24
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓	✓
					<b>CLOSE</b>					
BL			ELL		Reteaching Activity, URB*		p. 61	p. 61	p. 61	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 97		p. 97	p. 97	
BL	OL	AL	ELL		Civics Today in Graphic Novel	p. 89	p. 89			
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓	✓

## Using CyberScout

### Research Using *Famous Person*

#### Technology Product

CyberScout is a convenient and dynamic search engine that provides several easy ways to locate information outside the McGraw-Hill Learning Network. CyberScout searches only Web sites that have been reviewed by teachers, so the information students find is always appropriate and accurate.

#### Objective

After students learn using CyberScout, they will be able to

- research information on global and historical famous persons;
- exercise research and study skills;
- practice writing skills.

#### Steps

- From the McGraw-Hill Learning Network home page ([www.mhln.com](http://www.mhln.com)), click on **For Students**.
- Choose **CyberScout** from the **Homework Help**.
- Enter a name in the **Famous Person** field and click **Go**.
- The CyberScout page displays a set of results.
- Select the Famous Person's name from the results.
- Click the **link** to a Web site of interest.
- Students will be redirected to the Web site in a new window.
- Students navigate through the chosen Web site to gain information on your topic and take notes.

## Civics ONLINE

	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	

#### Glencoe Media Center

[glencoe.com](http://glencoe.com)

#### Study-To-Go

- Vocabulary eFlashcards
- Self-Check Quizzes

#### Audio/Video

- Student Edition Audio
- Spanish Summaries

## Reading List Generator CD-ROM

## BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

### Leveled reading suggestions for this chapter:

#### For students at a Grade 7 reading level:

- *Opening a Bank Account*, by Stuart Schwartz and Craig Conley

#### For students at a Grade 8 reading level:

- *Dollars and Sense: Managing Your Money*, by Ernestine Giesecke

#### For students at a Grade 9 reading level:

- *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance*, by Ron Chernow

#### For students at a Grade 10 reading level:

- *Martin Van Buren: 8<sup>th</sup> President of the United States*, by Rafaela Ellis

#### For students at a Grade 11 reading level:

- *Alexander Hamilton*, by Ron Chernow

## READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts. [www.jamestowneducation.com](http://www.jamestowneducation.com)

## KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

**R** **Reading Strategies** activities help you teach reading skills and vocabulary.

**C** **Critical Thinking** strategies help students apply and extend what they have learned.

**D** **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

**S** **Skill Practice** strategies help students practice historical analysis and geography skills.

**W** **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

**AL** Activities for students working above grade level

**OL** Activities for students working on grade level

**BL** Activities for students working below grade level

**ELL** Activities for English Language Learners



## Focus

## Why It Matters

**Ask:** What are the advantages of using money as the primary form of exchange for goods and services? (Answers should include that paper money and coins are issued by governments and have a definite value backed by governments and that money is easily carried or accessed.)

## More About the Photo

**Visual Literacy** The photograph shows a machine that sorts money at the United States Department of the Treasury. The Bureau of Engraving and Printing makes paper currency. The Mint makes coins. The Treasury produces more than 30 million paper notes each day. A large amount of this currency replaces paper notes that are going out of circulation because they are torn or worn. The new paper notes are sent to the banks and branches of the Federal Reserve and from there to commercial banks and then to individuals and businesses. (Students can learn more from Economics Activity 7, How Does Money Get to Banks?, URB p. 5.)

## Teach

**BIG Ideas** As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

## Section 1

**What Is Money?** **Ask:** Why do people deposit their money into banks or other financial institutions? (These are safe places to keep money, and depositors can earn interest. Depositing money also establishes credit and makes it easier to take out

## Money and Banking



## Why It Matters

Our market economy is based on the idea of voluntary exchange—we exchange money for the goods and services we need. You live in a world where this exchange usually involves money. It is the primary medium of exchange for goods and services.

a loan.) Point out that in Section 1 students will learn about the functions of money, what gives money value, the different kinds of financial institutions available to depositors, and how the federal government protects depositors. **OL**

## Section 2

**The Federal Reserve System** **Ask:** What do you know about the Federal Reserve System? (Answers will vary and may include that it controls the money supply and serves as the government's bank.) Tell students that in Section 2 they will learn about the organization and functions of the Federal Reserve System, including how it conducts monetary policy. **OL**

# BIG Ideas

## Section 1: What Is Money?

**The basis of the market economy is voluntary exchange. In the American economy, the exchange usually involves money in return for a good or service.** People are willing to accept money in exchange for goods, and financial institutions give people both a safe place to deposit their money or take out loans.

## Section 2: The Federal Reserve System

**Political and economic institutions evolve to help individuals and groups accomplish their goals.** The central bank of the United States is the Federal Reserve System. It controls the money supply, serves as the government's bank, and watches over the banking industry.

## Section 3: How Banks Operate

**Political and economic institutions evolve to help individuals and groups accomplish their goals.** Banks offer important financial services to millions of people.

Sorting \$100 bills at the U.S. Department of the Treasury

### FOLDABLES™ Study Organizer

**Evaluating Information Study Foldable** Make the following Foldable to help you evaluate the workings of the Federal Reserve.

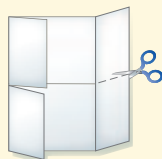
**Step 1** Mark the midpoint of the side edge of a sheet of paper. Then fold in the outside edges to meet at the midpoint.



**Step 2** Fold in half from side to side.

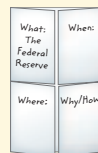


**Step 3** Open and cut the inside fold lines to form four tabs. Label the tabs *what*, *when*, *where* and *why*.



### Reading and Writing

As you read the chapter, note information about the Federal Reserve under the appropriate tab.



### FOLDABLES™ Study Organizer

#### Dinah Zike's Foldables

**Purpose** This Foldable is meant to help students evaluate the workings of the Federal Reserve. As they read Section 2, students should take notes about the Federal Reserve under the appropriate tab on their Foldable. **OL**

More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

### Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at [glencoe.com](http://glencoe.com).

## Section 3

**How Banks Operate** Ask: **What banking services have you used?** (Answers will vary and may include savings and checking accounts, certificates of deposit, and loans for cars and other expenses.) Explain that in Section 3 students will learn about banking services, the history of banking in the United States, and recent developments in banking. **OL**

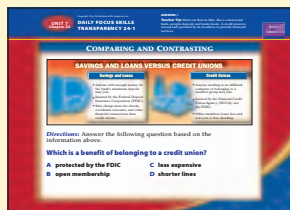


## Focus



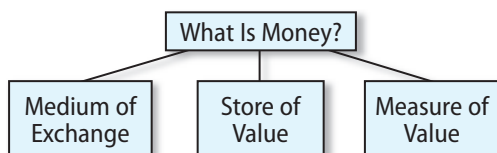
### Bellringer

Daily Focus Transparency 24-1



## Guide to Reading

Answers to Graphic:



### Section Spotlight Video

To learn more about what money is, have students watch the Section Spotlight Video for this section.

## Resource Manager

## Guide to Reading

### Big Idea

The basis of the market economy is voluntary exchange. In the American economy, the exchange usually involves money in return for a good or service.

### Content Vocabulary

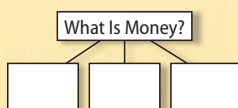
- coin (p. 657)
- currency (p. 657)
- commercial bank (p. 658)
- savings and loan association (S&L) (p. 658)
- credit union (p. 658)

### Academic Vocabulary

- obvious (p. 657)
- medium (p. 657)

### Reading Strategy

**Describing** As you read the section, complete a graphic organizer like the one below that illustrates three functions of money.



## What Is Money?

**Real World Economics** No flaws allowed here. This Treasury Department expert examines new sheets of \$100 bills as they shoot off the presses. The money is actually made at the Bureau of Engraving and Printing. The first \$100 bills, issued in 1862, were called “legal tenders.” Benjamin Franklin became the face on the \$100 bill in 1914. Today this bill, which may stay in circulation for up to five years, is the largest denomination in use.

▼ U.S. Treasury worker inspects newly printed \$100 bills



<b>R</b> Reading Strategies	<b>C</b> Critical Thinking	<b>D</b> Differentiated Instruction	<b>W</b> Writing Support	<b>S</b> Skill Practice
<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Academic Vocab., p. 657</li> <li>• Synthesizing, p. 658</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Content Vocab., URB p. 45</li> <li>• Ac. Vocab., URB p. 47</li> <li>• Guid. Read., URB p. 63</li> <li>• RENTG, p. 225</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Drawing Con. p. 659</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Biography Act., URB p. 49</li> <li>• Graphic Novel, p. 89</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Visual/Spatial, p. 658</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Reteach. Act., URB, p. 61</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Expository Writing, p. 659</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Auth Assess., p. 24</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Visual Literacy, p. 658</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Daily Focus Trans., 24-1</li> </ul>

# Money

**Main Idea** People are willing to accept money in exchange for goods.

**Economics & You** How much money do you have in your pocket or purse? Read to find out why this money has value to you and everyone else.

**M**oney is more interesting than you might think. It serves different functions, comes in several different forms, and has value for reasons that are not immediately obvious, or clear.

## Functions and Types of Money

Money has three functions. First, it serves as a **medium**, or form, of exchange—we can trade money for goods and services. Without money, people would have to barter—exchange goods and services for other goods and services. Second, money serves as a store of value. We can hold our wealth in the form of money until we are ready to use it. Third, money serves as a measure of value. Money is like a measuring stick that can be used to assign value to a good or service. When somebody says that something costs \$10, we know exactly what that means.

**Types of Money** How would you define money? According to economists, money is anything that people are willing to accept in exchange for goods. At various times in history, salt, animal hides, gems, and tobacco have been used as mediums of exchange.

The most familiar types of money today are coins and currency. **Coins** are metallic forms of money such as pennies and nickels. **Currency** includes both coins and paper money. There are other forms of money as well.



**Student Web Activity** Visit [glencoe.com](http://glencoe.com) and complete the Chapter 24 Web Activity.

## What Gives Money Value?

Why do we value and accept money? The simple reason is that we are absolutely sure that someone else will accept its value as well. Without this confidence in money, we would not accept it from someone else for payment in the first place.

Money by itself generally has no other value. A \$10 bill costs only a few cents to make and has no alternative use. Coins contain only small amounts of precious metal. The same is true of checking and savings accounts—they have value only because we accept that they have value.

**Reading Check** **Explaining** Why does money have value?

**Bartering** People have used different goods for buying or trading. Kyle MacDonald from Montreal, Quebec, spent a year trading items on the Internet through Craigslist. He started trading with a red paper clip and ended up trading for a home. **Identifying** **What two types of money are most commonly used today?**



## Teach

### Reading Strategy

**Academic Vocabulary** English-language learners may be confused by the use of the word “medium” in “Money is a *medium* of exchange.” Have students find this meaning of medium in a dictionary. Ask students if they know the word “media.” Tell them that “media” is the plural of “medium.” **Of what do the media consist?** (newspapers, magazines, television, radio) **What do money and the media have in common?** (Both are means of conveying something. The media convey information; money conveys value. Therefore it can be exchanged for goods.) **ELL**

**Reading Check** **Answer:** We accept that money has value and know that others also will accept it for the value it bears.

### Caption Answer:

The two most used types of money are paper money and coins. Some students may add that credit and debit cards, checks, and money orders are also widely used.

## Hands-On Chapter Project Step 1

## Achieving a Financial Goal

**Step 1: Choosing a Goal** Groups will choose a financial goal to research. They may create their own or choose one from the following six topics: 1) getting a loan for college; 2) getting a loan to start a business; 3) getting a mortgage to buy a home; 4) investing in government bonds and trea-

sure bills; 5) investing in certificates of deposit; 6) qualifying for jobs in banking.

**Directions** Have students form small groups based on their choices of goals. They should discuss which financial institutions might help them achieve their goals. They will find and list research sources on the Internet and in the library and divide research tasks among the

group members. A helpful Web site is [www.federalreserveeducation.org](http://www.federalreserveeducation.org) (click on personal financial education). They will also brainstorm a list of advisers, such as bank managers, financial planners, school counselors, and business owners. **OL**

(Project continued in Section 2)



## R Reading Strategy

**Synthesizing** How do borrowers, depositors, and the bank all benefit from the loans the bank provides?

(Borrowers benefit from loans for personal and business needs. The bank receives interest on loans from borrowers and uses some of this money to pay interest to depositors on their savings and checking accounts.) **BL OL**

## D Differentiated Instruction

**Visual/Spatial** Students who are visually or spatially oriented may wish to research how microprinting, color-shifting ink, and a security thread are used to create hard-to-copy paper money. Encourage them to present their findings to the class using visuals. **OL AL**

## S Skill Practice

**Visual Literacy** Ask students to find each of the features labeled on the bill in the chart on a bill of any denomination. **OL**

### Analyzing Charts

#### Answers:

1. Microprinting, color-shifting ink, and the security thread would be the most difficult to copy.
2. Nothing backs the counterfeited currency, so it is worthless.

## Differentiated Instruction

# The Financial System

**Main Idea** Financial institutions give people a safe place to deposit their money or take out loans.

**Economics & You** Do you have a savings account? Read to find out what happens to your money when you make a deposit.

**D** Do you know what happens when people and businesses with money to save take it to financial institutions? These institutions do not simply put the money in a safe and leave it there. Instead, they put the money to work by lending it to other people or businesses that need funds. They use the money to make more money. The financial institution covers its costs—and makes a profit—from the interest, or fees, it charges for those loans.

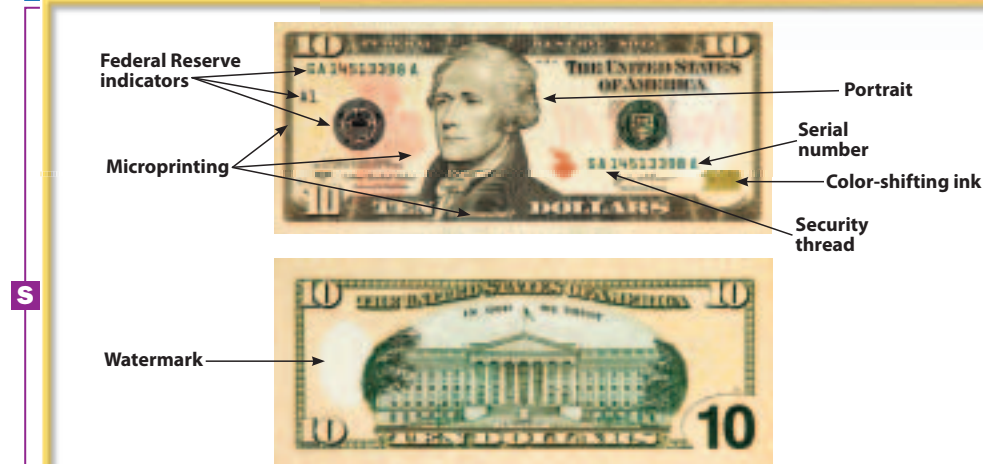
## Financial Institutions

**Commercial banks** are financial institutions that offer full banking services to individuals and businesses. They are probably the most important part of our financial system because of their large areas of influence. Most people have their checking and savings accounts in commercial banks.

**Savings and loan associations (S&L)** are financial institutions that traditionally loaned money to people buying homes. They also take deposits and issue savings accounts in return. Today, S&Ls perform many of the activities that commercial banks do.

**Credit unions** work on a not-for-profit basis. They are open only to members of the group that sponsors them, usually businesses, labor unions, and government institutions. Generally, credit unions offer better rates on savings and loans than do other financial institutions.

## D Features of U.S. Currency



### Analyzing Charts

1. **Predicting** What security features of this bill would be most difficult to duplicate for a counterfeiter?
2. **Explaining** Why is counterfeit money in the monetary system a problem for the economy?

## Anna Escobedo Cabral

- Objective:** To discover the cause and effects surrounding Cabral's education
- Focus:** Have students locate Cabral's signature on a dollar bill.
- Teach:** Discuss the causes for Cabral's attending college and their effects.
- Assess:** Have student pairs research financial aids available for college.
- Close:** Have students write letters requesting financial aid information.

## Differentiated Instruction Strategies

- BL** Research two sources of financial aid offered at a local community or technical college.
- AL** Research cost of a four-year college they wish to attend and devise a financial plan to meet the cost.
- ELL** Research scholarships and aid available to various ethnic groups.

**Biography Activity 24**

**Anna Escobedo Cabral (1958–)**

The next time you use a newly designed ten-dollar bill, notice the signature of Anna Escobedo Cabral. Cabral's signature appears on each bill that's printed. Cabral's journey to the Treasury began when a teacher advised her to go to college, something that Cabral had never imagined doing.

As the eldest child of a California construction family, Cabral helped her parents by caring for her younger siblings. During high school she worked part-time to support the family's income after her father became disabled. Nevertheless, she wanted more in life. Cabral's dream was to attend college and earn a degree in social work. She was ready to graduate at age 16. She expected to find a job to help support her family, but her high school teacher advised her that if she went on to college, she would be able to help her family in the long run.

**Starting a New World**

"When I got to college, suddenly everything changed for me. I realized that there is so much that you can do with your life," Cabral says. Graduating from the University of California at Davis in 1987, Cabral went on to earn a master's degree in public administration from Eastern University in 1990.

At U.S. Treasury Cabral is a public administrator in the Treasury and the Bureau of Engraving and Printing, where she oversees the design and printing of new currency.

She also advises the U.S. Mint on new currency design and production. Cabral's work is vital to the nation's ability to produce secure and reliable currency for the future of the American economy.

Each of these types of banking institutions performs a similar function. They all act to bring together savers and borrowers. They give people a safe place to deposit their money when they want to save it and a source for borrowing when they need a loan. You will learn more about this system in Section 3.

## Safeguarding Our Financial System

The financial system of the United States is one of the safest in the world. This safety results from two factors—regulation and insurance.

Banking is one of the most regulated industries in the country primarily because of the banking disaster of the 1920s. Most financial institutions have to report to one or more regulatory agencies. They are required to follow rules and accounting practices that minimize unnecessary risk.

**The FDIC** When financial institutions fail, federal deposit insurance protects consumers' deposits. The most important insurance agency is the Federal Deposit Insurance Corporation (FDIC), a national corporation that insures individual accounts in financial institutions for up to \$100,000. The collapse of the banking system during the Great Depression of the 1930s wiped out people's entire savings. Now if a bank fails, depositors do not lose their savings.

**Consumer Confidence** Because accounts in financial institutions have some type of government insurance, consumers feel safer wherever they deposit their money. As a result, they continue to make deposits—and those deposits give financial institutions the funds they need to make loans that help fuel economic growth.

**Reading Check Explaining** How do financial institutions make a profit?

## C Critical Thinking

**Drawing Conclusions Ask:** If you had \$300,000 to deposit at a bank, how would you make sure all of the money was covered by FDIC insurance?

(Answers might include having three accounts of \$100,000 apiece at one bank or different banks.) **OL**

## W Writing Support

**Expository Writing** Have students write a paragraph explaining how regulation and insurance of the banking system helps fuel financial growth. **OL**

**Reading Check Answer:** by charging interest on loans and by fees paid by borrowers and depositors

## Assess



**Study Central™** provides summaries, interactive games, and online graphic organizers to help students review content.

## Close

**Lecture** Invite a bank official to speak to the class about saving opportunities provided by financial institutions. **OL**

## Section 1 Review

## Section Review 1

### Vocabulary

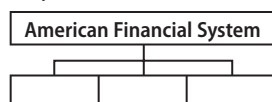
- Write** a paragraph about the U.S. financial system that uses each of these terms: *coin, currency, commercial bank, savings and loan association (S&L), credit union*.

### Main Ideas

- Name** two forms of money in addition to currency and coin.
- Describing** What is the purpose of the FDIC?

### Critical Thinking

- Explaining** What advantage do credit unions offer their customers? Why?
- BIG Ideas** In a graphic organizer like the one below, describe the types of institutions in the American financial system.



### CITIZENSHIP Activity

- Comparing** Obtain brochures from several banks, credit unions, and savings and loans. Compare their services and fees. If you had \$1,000 to deposit, which institution would you choose? Explain your choice.
- Descriptive Writing** Write a paragraph describing which financial institution services you expect to use over the next five years.



**Study Central™** To review this section, go to [glencoe.com](http://glencoe.com).

## Answers

- Paragraphs should use vocabulary words according to their definitions in the section and in the Glossary.
- Answers may include gold, gems, credit and debit cards, checks, and money orders.
- The purpose of the FDIC is to protect consumers against the loss of their bank deposits when a financial institution fails.

- Credit unions offer their customers better rates on savings and loans. They can do this because they are not-for-profit institutions.
- commercial banks**—offer full banking services to individuals and businesses; **savings and loan associations**—traditionally loaned money to home buyers but now perform many of the activities that commercial banks do; **credit unions**—not-for-profit

organizations open only to the groups that sponsor them

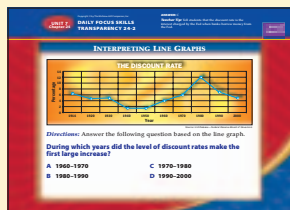
- Students should support their choices with information from the text and prior knowledge.
- Answers will vary and may include loans for college, automobiles, home ownership, starting a business, and so forth.

## Focus



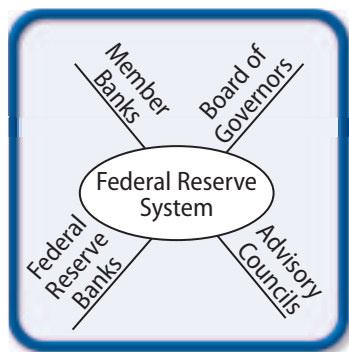
### Bellringer

Daily Focus Transparency 24–2



## Guide to Reading

Answers to Graphic:



### Section Spotlight Video

To learn more about the federal reserve system, have students watch the Section Spotlight Video for this section.

## Resource Manager

## Guide to Reading

### Big Idea

Political and economic institutions evolve to help individuals and groups accomplish their goals.

### Content Vocabulary

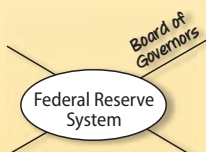
- central bank (p. 661)
- Federal Open Market Committee (FOMC) (p. 661)
- monetary policy (p. 664)
- discount rate (p. 664)
- reserve (p. 665)
- open market operations (p. 665)

### Academic Vocabulary

- manipulate (p. 661)
- contract (p. 664)

### Reading Strategy

**Classifying** As you read this section, complete a graphic organizer like the one below by listing the components that make up the Federal Reserve System.



# The Federal Reserve System

**Real World Economics** The Federal Reserve System, usually known as the Fed, is the United States bank from which all other banks borrow. Its board is run by chairperson Ben Bernanke, shown here with the president of the European Central Bank at an international monetary conference. Previously a professor and economic analyst, Bernanke replaced Alan Greenspan, long-time chairperson of the Fed. The Fed enters your life every day as the agency that controls interest rates on loans and controls the money supply, affecting inflation in America.

▼ Ben Bernanke, right, has been the Fed chairperson since February 2006



## Reading Strategies

### Teacher Edition

- Content Vocab., p. 664

### Additional Resources

- Content Vocab. URB p. 45
- Ac. Vocab., URB p. 47
- Guid. Read., URB p. 64
- RENTG, p. 228
- Foldables, p. 97

## Critical Thinking

### Teacher Edition

- Making Inferences, p. 661
- Comparing, p. 661
- Drawing Con., p. 662
- Det. Cause/Effect, p. 664
- Pred. Consequences, p. 665

### Additional Resources

- Economics Act., URB p. 5
- Crit. Think., URB p. 53

## Differentiated Instruction

### Teacher Edition

- Below Grade Level, p. 663

### Additional Resources

- Diff. Instr., URB p. 57
- Reteach. Act., URB p. 61

## Writing Support

### Teacher Edition

- Expository Writing, p. 665

### Additional Resources

- Speak./Listen. Skills URB p. 9
- Writing Skills Act. URB p. 51

## Skill Practice

### Teacher Edition

- Read. Chart/Map, p. 662

### Additional Resources

- Daily Focus Trans., 24–2
- Pol. Cartoons Trans. 24



# Structure and Organization

**Main Idea** The central bank of the United States is the Federal Reserve System.

**Economics & You** Do you remember hearing about “the Fed” raising interest rates? Read to find out what this important body does.

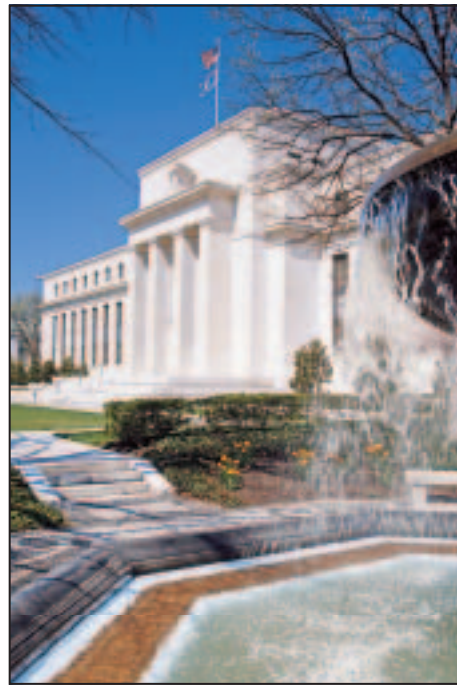
The **central bank** of the United States is the Federal Reserve System, known as the Fed. When people or corporations need money, they borrow from banks. When banks need money, they borrow from the Fed. The Federal Reserve System is a banker’s bank.

The United States is divided into 12 Federal Reserve districts. Each district has one main Federal Reserve Bank, along with branch banks. Thousands of banks in the United States are members of the Federal Reserve System. Member banks are owners of the Fed because they buy stock in the Fed and earn dividends from it.

## Board of Governors

The Fed was established in 1913. At that time the largest banks were required to buy stock in the Fed. To prevent these banks from having too great an influence over the Fed, the law also required that the president appoint and the Senate ratify the seven members who make up the Board of Governors. The president selects one of the board members to chair the Board of Governors for a four-year term.

The Board of Governors controls and coordinates the Fed’s activities. It sets general policies for the Federal Reserve and its member banks to follow. Board members and the chairperson are independent of both the president and the Congress. This allows the Board of Governors to make economic decisions independent of political pressure.



**The Fed** The headquarters of the Federal Reserve System is in Washington, D.C. The Board of Governors sets the Fed’s policies. **Explaining** Why is it important that the Board remain independent of the legislative and executive branches?

## Advisory Councils

The Fed has several advisory councils. One council reports on the general condition of the economy in each district. Another reports on financial institutions. A third reports on issues related to consumer loans. Officials of the district banks serve on these councils.

**The FOMC** A major policy-making group within the Fed is the **Federal Open Market Committee (FOMC)**. The FOMC makes the decisions that affect the economy as a whole by **manipulating**, or controlling, the money supply. The FOMC has 12 members.

**Reading Check** **Explaining** How is the Fed’s Board of Governors chosen?

# Teach

## C1 Critical Thinking

**Making Inferences** **Ask:** Why might a member bank need to borrow from the Federal Reserve Bank? (Answers should demonstrate the understanding that banks do not keep all deposited money on hand. Some money is in the Federal Reserve and some is out in loans. When their money supply is low, banks may need to borrow from the Fed.) **AL**

## C2 Critical Thinking

**Comparing** **Ask:** How are member banks in the Federal Reserve System like stockholders in a corporation? (Member banks own stock in the Federal Reserve Banks just as investors do in a corporation. The banks get paid dividends like stockholders do.) **BL**

### Caption Answer:

Answers should include that the Board must make decisions based on the state of the economy, not on political pressure.

**Reading Check** **Answer:** The president picks the members of the Board with the approval of the Senate.

## Differentiated Instruction

**DIFFERENTIATED INSTRUCTION ACTIVITY 24**

**The Fed Raises Rates**

The Federal Reserve Bank recently increased the economy to observe interest rates, borrowing rates, and inflation. Its Board of Governors take action to ensure that the economy does not grow too quickly or too slowly. The press release below provides an example of the Federal Reserve’s program and function in regard to the economy.

**Press Release**  
June 26, 2006  
The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 5.14 percent. Recent inflation reports have indicated that inflationary pressures are still strong going forward this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices. Although inflationary pressures have been elevated in recent months, the Committee remains concerned that inflationary pressures are still strong. The high levels of resource utilization and the growth of aggregate demand should help to limit inflationary pressures over time. The Committee judges that some inflation is warranted. The upward and timely of an additional 25 basis points will help to ensure that inflationary pressures are kept under control. The Committee will respond to changes in economic prospects as needed to support the attainment of its objectives.

**Directions:** Use the press release and the information in your textbook to answer the questions below. Write your answers on a separate sheet of paper.

- Describing Cause and Effect** Why does the Federal Reserve believe that economic growth is “moderating”?
- Making Connections** According to the press release, what main action is the Federal Reserve “taking” in order to help keep the growth of the economy steady?

Diff. Instruction Act. 24, URB pp. 57–58

## The Fed Raises Rates

- Objective:** To analyze reasons for actions of FOMC
- Focus:** Ask students to explain what FOMC did and why.
- Teach:** Give background information on FOMC.
- Assess:** Have students write statements of their opinions of FOMC actions.
- Close:** Have volunteers share their opinion statements with the class.

## Differentiated Instruction Strategies

- BL** Define “inflation” and explain how the Fed tries to control it.
- AL** Analyze a case study of the Federal Reserve’s monetary policy (for example, efforts in the 1970s to stabilize inflation). Summarize the Fed’s actions for class.
- ELL** Summarize the press release in your own words.

## S Skill Practice

**Reading a Chart and Map** Have students read the names of the cities in which Federal Reserve Banks are located. Then have them locate the cities on the map. **Ask:** *Why do you think these particular cities were chosen as sites for these banks?* (Each city is a major economic center in its district.) **BL ELL**

## C Critical Thinking

**Drawing Conclusions** **Ask:** *Why do you think the Federal Reserve System's Board of Governors is located in Washington, D.C.?* (The Federal Reserve System's Board of Governors needs to be near the seat of the U.S. government in order to communicate with U.S. leaders.) **OL**

### Analyzing Charts and Maps

#### Answers:

1. Twelve; Answers will vary.
2. The twelve members of the FOMC are the seven members of the Board of Governors and five Reserve Bank presidents.

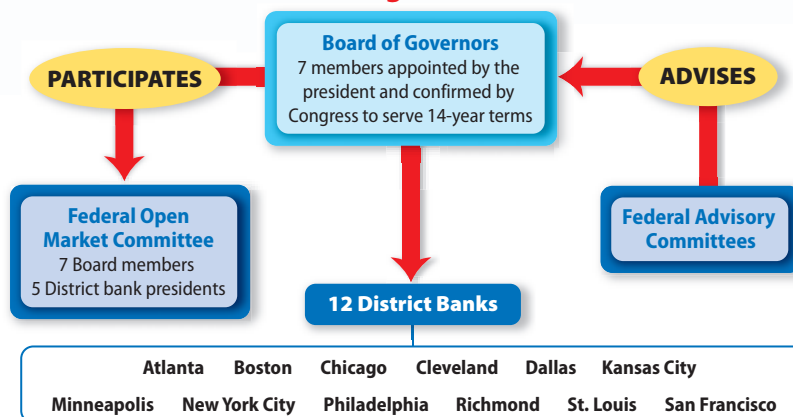
## Hands-On Chapter Project Step 2

## Achieving a Financial Goal

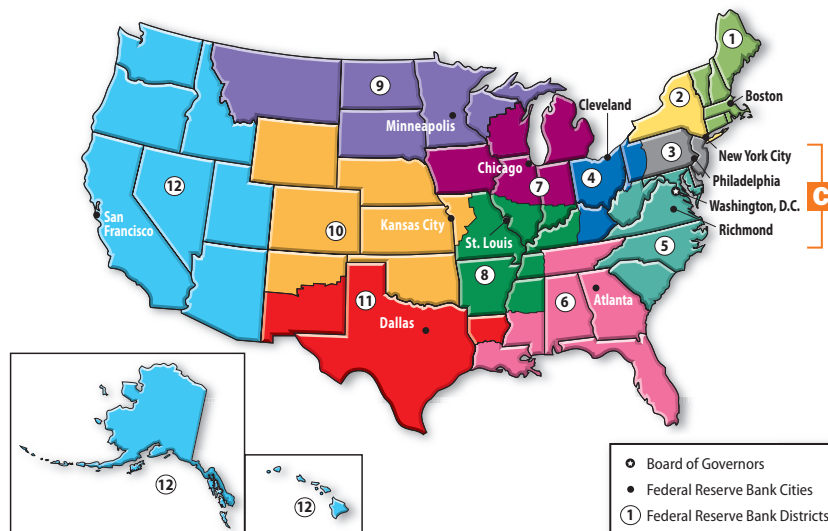
**Step 2: Interviewing Financial Advisors** Group members will interview financial advisers who can provide information on how to achieve the financial goals. They will use the lists they brainstormed in Step 1.

### The Federal Reserve System

#### The Organization



#### Federal Reserve Districts

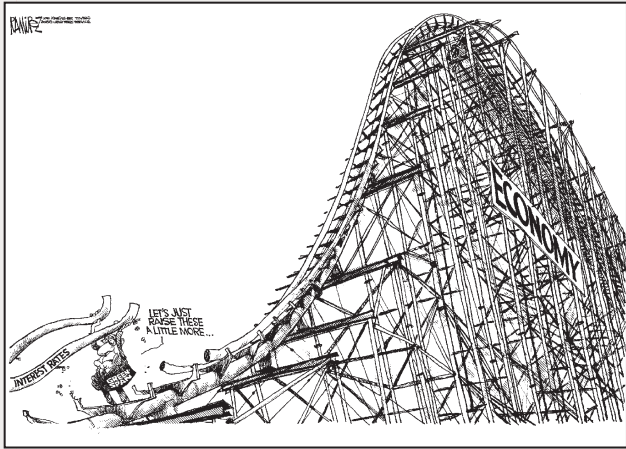


### Analyzing Charts and Maps

1. **Identifying** How many Federal Reserve districts are there? In which district do you live?
2. **Identifying** Who makes up the membership of the FOMC?

**Directions** Group members will discuss whom they will interview and form pairs to interview one or more advisers together. Pairs will devise a list of questions and arrange interviews by phone, email, or in person. They will write a summary of the interview to share with the group. **OL**

(Project continued in Section 3)



Michael Ramirez/Copley News Service

In this cartoon, Michael Ramirez makes a comment on the U.S. economy and on the former chairperson of the Federal Reserve, Alan Greenspan.

1. What action is Greenspan taking?
2. What symbol does the cartoonist use to represent the economy?
3. Why do you think the cartoonist chose this symbol?
4. Do you think the artist approves of Greenspan's action? Explain.

## Functions of the Fed

**Main Idea** The Fed controls the money supply, serves as the government's bank, and watches over the banking industry.

**Economics & You** Can money ever be "cheap" or "expensive"? Read to find out how the Fed can raise or lower the "price" of money.

The Fed has two main regulatory functions: it deals with banking regulation and consumer credit.

## The Fed as Regulator

The Fed oversees and regulates large commercial banks. If two national banks wish to merge, the Fed will decide whether the action will lessen competition. If so, the Fed could block the merger. It also regulates connections between American and foreign

banking and oversees the international business of banks that operate in this country.

The Fed also enforces many laws that deal with consumer borrowing. For example, lenders must spell out the details of a loan before a consumer borrows money. The Fed specifies what information lenders must provide.

## Acting as the Government's Bank

The Fed also acts as the government's bank. First, it holds the government's money. Government revenues are deposited in the Fed. When the government buys goods, it draws on these accounts. Second, the Fed sells U.S. government bonds and Treasury bills, which the government utilizes to borrow money. Third, the Fed manages the nation's currency, including paper money and coins. This money is produced by government agencies, but the Fed controls its circulation. When coins and currency become damaged, banks send them to the Fed for replacement.

## D Differentiated Instruction

**Below Grade Level** Help below-level students take notes on the functions of the Fed, using the Evaluating Information Study Foldable. Work with students as a group to identify main ideas and important details. Encourage students to create organizational charts and flowcharts about the Fed and how it functions and how monetary policy works. Remind them to use these visuals as study aids.

**BL**

### Answers:

1. He is raising the tracks on the roller coaster.
2. a roller coaster
3. The economy has periods of expansion followed by periods of contraction, similar to the ups and downs of a roller coaster.
4. Student answers will vary, but should be backed by evidence from the cartoon.

## Differentiated Instruction

Chapter 24 663

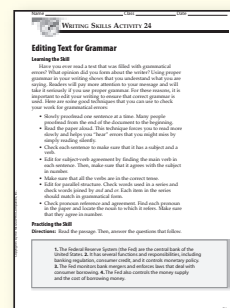
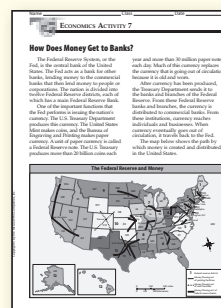
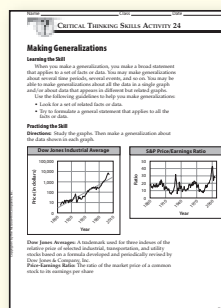
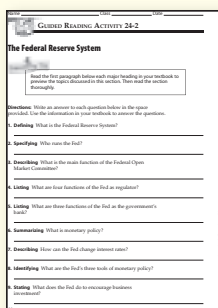
## Leveled Activities

**BL** Guided Reading Activity 24-2, URB p. 64

**OL** Crti. Thinking Skills Activity 24, URB pp. 53-54

**AL** Economics Activity 7, URB pp. 5-6

**ELL** Writing Skills Activity 24, URB pp. 51-52





## R Reading Strategy

**Content Vocabulary** Review content vocabulary before students read about monetary policy. Have them review the concept of inflation in Chapter 23, page 641. **Ask:** **What is the money supply?** (the amount of money available for borrowing) What phrase means the same as “the price of credit”? (interest rates) What is inflation? (Inflation occurs when prices rise. This makes currency worth less because it buys less.) Pair below-level and English-language learners with competent partners and have them discuss how monetary policy works. **BL ELL**

## C Critical Thinking

**Determining Cause and Effect** **Ask:** **Why does lowering the discount rate stimulate the economy?** (Banks borrow more from the Fed and give out more loans. Businesses expand; people spend more.) **What happens when it raises the rate?** (Banks borrow less and have less money to lend, which slows the economy.)

### Analyzing Graphs

#### Answers:

1. Interest rates go up.
2. Banks make more loans and collect more interest. Therefore they can afford to lower interest rates.

### Additional Support

## Teacher Tip

Before beginning this activity, have students discuss the ways in which flowcharts can make a process clearer and easier to remember. Ask them to design their charts to clarify the information they wish to display.

## How Monetary Policy Works

One of the Fed’s major tasks is to conduct monetary policy. **Monetary policy** is the controlling of the supply of money and the cost of borrowing money—credit—according to the needs of the economy. The Fed can increase or decrease the supply of money.

**Changing the Supply of Money** The supply and demand diagrams on this page help explain monetary policy. Because the amount of money is fixed at any given time, the money supply is shown as a vertical line. In the diagrams, the point where supply of money and demand for money meet sets the interest rate—the rate that people and businesses must pay to borrow money. The Fed can change the interest rate by changing the money supply. So, if the Fed wants a *lower* interest rate, it must expand the money sup-

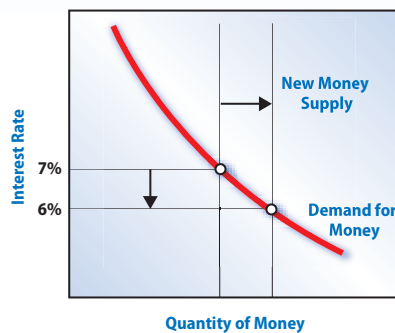
ply by moving the supply curve to the right. This is shown in diagram A. If the Fed wants to *raise* the interest rate, it has to **contract**, or reduce, the money supply by shifting the supply curve to the left (see diagram B).

**Monetary Policy Tools** Several tools help the Fed manipulate the money supply. First, the Fed can raise or lower the **discount rate**. The discount rate is the rate the Fed charges member banks for loans. If the Fed wants to stimulate the economy, it lowers the discount rate. Low discount rates encourage banks to borrow money from the Fed to make loans to their customers. If the Fed wants to slow down the economy’s rate of growth, it raises the discount rate to discourage borrowing. This contracts the money supply and raises interest rates. High discount rates mean banks will borrow less money from the Fed.

### Monetary Policy and Interest Rates

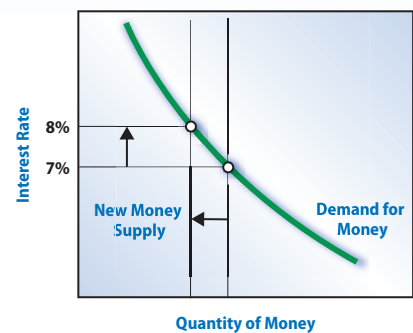
#### (A) Effects of Buying Bonds

Expansion of Money Supply



#### (B) Effects of Selling Bonds

Contraction of Money Supply



### Analyzing Graphs

1. **Describing** What happens to interest rates when the money supply contracts?
2. **Inferring** Why does the price of credit fall when the money supply increases?

## Activity: Collaborative Learning

**Synthesizing and Displaying Information** Organize students into three groups. Write the following questions on the board: **1) How does money flow from the Federal Reserve to member banks and into the community?** **2) Where does the Federal Reserve get its money and how does it increase its supply of money?** **3) Where**

**does the money come from to give investors in the banking system returns on their investment?** Have each group research a different question, using the text and other sources such as the Internet to create a flowchart that answers its question. Each group will present its chart to the class and explain its meaning. **BL**

Second, the Fed may raise or lower the **reserve** requirement for member banks. Member banks must keep a certain percentage of their money in Federal Reserve Banks as a reserve against their deposits. This money is called the reserve. If the Fed raises the reserve requirement, banks must leave more money with the Fed, and they have less money to lend. When the Fed lowers the reserve requirement, member banks have more money to lend.

Finally, the Fed can change the money supply through **open market operations**. These are the purchase or sale of U.S. government bonds and Treasury bills. Buying bonds from investors puts more cash in investors' hands, increasing the money supply. This shifts the supply curve of money to the right, which lowers interest rates. Consumers and businesses then borrow more money, which increases consumer demand and business production. As a result, the economy grows. If the Fed decides that interest rates are too low, the Fed can sell bonds.

When people buy those bonds, money comes out of the economy. This shifts the supply curve to the left, and raises interest rates.

### Why Is Monetary Policy Effective?

Monetary policy can be implemented quickly and Fed officials can also easily fine-tune its policy. They can watch the results of selling bonds or raising the discount rate. If the desired result has not occurred, they can act again, selling more or fewer bonds or raising or lowering the discount rate.

**Interest Rates and Business** Interest rates influence business investment and consumer spending. The Fed can affect these activities by manipulating interest rates. For example, if the Fed wants to encourage business investment, it can lower interest rates. Raising rates will have the opposite effect.

**Reading Check** **Describing** How does the Fed protect consumer borrowers?

## C Critical Thinking

**Predicting Consequences** **Ask:** Why does the Fed require banks to keep a certain percentage of deposits in the Federal Reserve? (The reserve gives the Fed money to lend to banks. The money in reserve also protects deposits in banks so that banks can cover withdrawals.) **OL**

## W Writing Support

**Expository Writing** Have students write an explanation of how and why the Federal Reserve controls the money supply and the cost of borrowing money. **OL**

**Reading Check** **Answer:** The Fed requires lenders to spell out details of a loan before a consumer borrows.

## Assess



**Study Central™** provides summaries, interactive games, and online graphic organizers to help students review content.

## Close

**Summarizing** Have students write a one-page summary of the section. **OL**

## Section Review 2

### Vocabulary

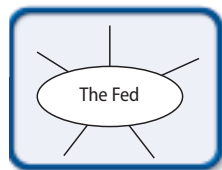
- Create** a fill-in-the-blank quiz for a partner using these words: *central bank, Federal Open Market Committee (FOMC), monetary policy, discount rate, reserve, open market operations.*

### Main Ideas

- Describing** In what way are member banks the owners of the Fed?
- Explaining** In what ways does the Fed act as the government's bank?

### Critical Thinking

- Concluding** What would Fed officials likely do if prices rise too quickly?
- BIG Ideas** On a diagram like the one below, list five of the functions of the Federal Reserve System.



### CITIZENSHIP Activity

- Comparing** Contact three banks in your community. Find out what interest rate they are charging on loans for a three-year loan on a new car. Compare this to the current Fed discount rate. Which is higher or lower?
- Expository Writing** Write a short newspaper article that explains how the Fed can use its powers to encourage or discourage business activity.



**Study Central™** To review this section, go to [glencoe.com](http://glencoe.com).

## Answers

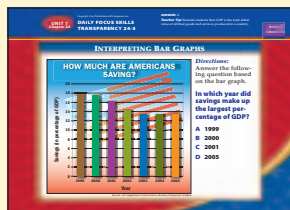
- Definitions for the vocabulary words are found in the section and in the Glossary.
- Member banks own stock in the Federal Reserve and earn dividends.
- As the government's bank, the Fed holds the government's revenue from taxes and from the sale of government bonds and treasury bills. The government withdraws this money to meet its expenses.
- It would contract the money supply by raising discount rates to member banks. This would raise interest rates for consumers. These steps would slow or halt inflation.
- oversees and regulates commercial banks; enforces borrower protection laws; acts as the government's bank; conducts monetary policy; buys and sells government bonds and treasury bills.
- Students should find that the current Fed discount rate is lower than interest rates charged by commercial banks.
- Students should demonstrate understanding of how the Fed increases and decreases the money available for loans and the interest rates charged.

# Focus



## Bellringer

Daily Focus Transparency 24–3



## Guide to Reading

Answers to Graphic:

The three types are: certificates of deposit, savings accounts, and checking accounts.

## Section Spotlight Video

To learn more about how banks operate, have students watch the Section Spotlight Video for this section.

## Resource Manager

## Guide to Reading

### Big Idea

Political and economic institutions evolve to help individuals and groups accomplish their goals.

### Content Vocabulary

- checking account (p. 667)
- savings account (p. 667)
- certificate of deposit (CD) (p. 667)

### Academic Vocabulary

- initial (p. 667)
- principal (p. 667)
- behalf (p. 668)

### Reading Strategy

**Classifying** On a graphic organizer like the one below, identify three types of bank deposits.



# How Banks Operate

**Real World Economics** Imagine what might happen if all your money were held in a bank that went bankrupt. This is what happened during the Great Depression in 1929. When the stock market crashed, stock prices fell nearly 25 percent in two days. As banks tried to collect the money investors had borrowed and invested in the stock market, many people lost everything that they owned. Banks went bankrupt, too.

▼ Wall Street speculator tries to sell his car to make up for losses



<b>R</b> Reading Strategies	<b>C</b> Critical Thinking	<b>D</b> Differentiated Instruction	<b>W</b> Writing Support	<b>S</b> Skill Practice
<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Making Connections, p. 668</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Content Vocab., URB p. 46</li> <li>• Ac. Vocab., URB p. 48</li> <li>• Guid. Read., URB p. 65</li> <li>• RENTG, p. 232</li> <li>• Foldables, p. 97</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Drawing Con. p. 668</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Primary Source Reading, URB p. 15</li> <li>• Crit. Think., URB p. 53</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Logical/Math., p. 667</li> <li>• Below Level, p. 669</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• School-to-Home Conn. URB p. 59</li> <li>• Reteach. Act., URB p. 61</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Descriptive Writing, p. 668</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Speak./Listen. Skills, URB p. 9</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>• Making Comparisons, p. 667</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>• Chart, Graph, and Map Skills, URB p. 55</li> <li>• Daily Focus Trans., 24–3</li> </ul>



## Banking Services

**Main Idea** Banks offer important financial services to millions of people.

**Economics & You** Do you know the difference between a savings and a checking account? Read to find out how these accounts differ.

**B**anks are started by investors. They pool financial investments, money, property, and other funds to provide banking services to people in their communities. If 10 investors each put up \$10,000, the new bank would have \$100,000 in funds.

A bank that relied on only the funds raised by its **initial**, or first, investors would not grow. It would have a limited amount of money available for loans. Banks need to attract depositors to survive.

### What Banks Do

To earn money, banks accept deposits to create different types of accounts and then use these deposited funds to make loans.

**Accepting Deposits** Banks hope to attract customers who make deposits. They offer **checking accounts**, which allow customers to write checks or to use check or debit cards. Checks can be used to pay bills or to transfer money from one person to another. These accounts, however, usually pay no or only a low rate of interest. People do not keep money in checking accounts for very long. They deposit the money and then use the funds to meet their regular expenses.

Sometimes people have some money that they can leave untouched for longer periods of time. With **savings accounts**, banks pay interest to customers based on how much money they have deposited. Because the bank pays interest, the money grows larger the longer it is left in a savings account.

Banks also offer **certificates of deposit (CDs)** to customers. CDs require a saver to



**Banking Transactions** A New York City bank in the early 1930s handles the day-to-day transactions of its customers. **Explaining** What are the advantages of a checking account?

deposit his or her funds for a certain period of time. CDs offer higher interest rates than checking accounts or savings accounts. The longer the maturity—the period of time—the higher the interest rate that the bank pays. Depositors cannot withdraw their money any sooner unless they pay a substantial penalty. Thus they lose control of their money for some time.

**Making Loans** One of the **principal**, or main, activities of banks is to lend money to businesses and consumers. Loans can actually increase the supply of money.

Suppose that Maria deposits \$1,000 in the bank. The bank can use some of that money to make loans to other customers. Those people then deposit the money they have borrowed, and that money, too, can be loaned to new customers. In that way, the amount of money in circulation continues to accumulate.

**Reading Check Explaining** Where do banks get the money they loan to customers?

## Teach

### S Skill Practice

**Making Comparisons** Have students look at the photo of a 1930s bank. **Ask:** How is this scene different from a modern bank? **BL ELL**

### D Differentiated Instruction

**Logical/Mathematical** Have students research the best rate they could obtain locally on a certificate of deposit for \$500 for a 12-month period. **Ask:** If you renewed the CD for a total of three years, how much money would you have, based on current rates? (Answers will vary according to local rates.) **OL**

#### Caption Answer:

Advantages include: People don't have to carry around large sums of money; they may earn interest on their checking account; they can pay bills by check; they can deposit their paycheck and other checks and can cash checks written to them.

**Reading Check** **Answer:** Money comes from investors and depositors. Interest also is collected from borrowers.

### Hands-On Chapter Project Step 3

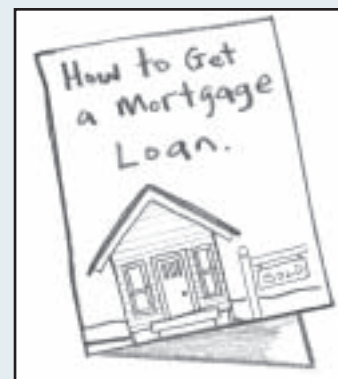
### Achieving a Financial Goal

**Step 3: Creating a How-to Pamphlet** The groups will share information and plan how-to pamphlets on achieving their financial goals. They will work together to complete the pamphlets.

**Directions** The group will produce a short pamphlet on how to achieve the financial

goals they have chosen. They should include quotes from the advisors that they interview as well as explanatory text. They may include flowcharts or lists of steps on how to achieve the goals. Students with design and computer experience can help the groups produce the pamphlets. **OL**

(Project continued on the Visual Summary page)



## C Critical Thinking

**Drawing Conclusions** Ask: Why do you think Andres signed up for Washington Business Week? (Answers should include that he probably wants to start his own business someday.) **OL**

## R Reading Strategy

**Making Connections** What was the result of the closing of the National Bank in 1836? (With no outside control, each state bank issued its own currency. Because the banks printed too much money, inflation occurred and money had less value.) **OL**

## W Writing Support

**Descriptive Writing** Have students research the history of national banks in the United States. Then have them write a short description of how national banks affect the U.S. economy. **OL**

## TIME Teens in Action

### Answers:

Students should support their answers with reasonable arguments.

## Differentiated Instruction

CHART, GRAPH, AND MAP SKILLS ACTIVITY 24

**Reading a Bank Statement**

**Learning the Skill**

After you set up a savings or a checking account, the bank will send a periodic statement that provides information and updates about your account. Bank statements tell the balance of money in the account and also show how the account balance has changed during a certain time period. Often, banks provide statements on a monthly basis. Bank statements list all activity related to your account during a given period, including deposits, withdrawals, and fees. Statements may be sent by regular mail or to an email address.

Use the following steps to read a bank statement:

- 1. Identify the account described in the statement. Determine the type of account to which the statement relates, such as checking or savings.
- 2. Locate the beginning and ending balances. These are the amounts of money in the account at the beginning and end of the period covered by the bank statement.
- 3. Use the beginning and ending balances to determine whether the value of the account has increased or decreased during the period.
- 4. Find the detailed list of account activity. This information may be labeled "Transactions." Look closely at the ways in which deposits, withdrawals, and fees have affected the account balance.

**Practicing the Skill**

Directions: Read the information in the bank statement below. Then answer the questions on the following page.

**Your Bank Statement**

ACCOUNT INFORMATION		STATEMENT PERIOD	
ACCOUNT NAME	ACCOUNT TYPE	STATEMENT DATE	STATEMENT PERIOD
ABC BANK	Checking	12/15/11	12/01/11 - 12/15/11
123 Main St.			
Anytown, CA 90210			
Account No. 123456789			

DEPOSITS/CREDITS		CHECKS/DEBITS	
DATE	AMOUNT	DATE	AMOUNT
12/01/11	100.00	12/01/11	25.00
12/05/11	50.00	12/05/11	10.00
12/10/11	75.00	12/10/11	15.00
12/15/11	25.00	12/15/11	5.00

Chart, Graph, and Map Activity 24, URB pp. 55–56  
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## TIME Teens in Action

### Andres Mendoza

Andres Mendoza, 16, of George, in the state of Washington, is all business when it comes to . . . well, business. So he signed up for a weeklong camp called Washington Business Week (WBW), which was hosted by Gonzaga University in Spokane.



**QUESTION:** You're originally from Oaxaca, Mexico?

**ANSWER:** My family moved to the United States four years ago. We didn't speak English, but luckily we learn really fast; it wasn't as difficult as it seemed.

**Q:** What's up with WBW?

**A:** WBW shows what's involved in working for a business—or running your own.

**Q:** What did you do there?

**A:** We formed mock companies. I was named Chief Executive Officer—or CEO—of my company. Everyone had to develop ideas for new products—ours was a microwave that not only warmed but also froze the food.

Before going to WBW, I really had no idea what went into running a business. I thought everything was about making money. But at WBW, you learn there's so much more to it—like behaving ethically.

For more info on Washington Business Week go to [www.wbw.org](http://www.wbw.org).



### Making a Difference

**Analyzing** Do you think there is a market for Mendoza's product? Explain.

## Changes in Banking

**Main Idea** Throughout American history, banking has become safer and more efficient.

**Economics & You** Look closely at a dollar bill. Who issued it? Read to find out why this was not always the case in the United States.

The banking system of the United States has changed through the years. Often, crises led to key developments that helped strengthen American banks and safeguard the rights of citizens.

### Early Banking

In the early days of our nation, leaders found that the country needed a central bank to bring order to the nation's finances. The Bank of the United States, chartered in 1791, collected fees and made payments on behalf of, or on the part of, the federal government. In 1816, the Second Bank of the United States was chartered for 20 years. The Bank, however, aroused much opposition, and when its charter lapsed, it was allowed to go out of business.

After that, the only banks in the nation were those chartered by the states. Because the federal government did not print paper currency until the Civil War, most of the money supply was paper currency that privately owned, state-chartered banks issued.

The end of the Bank of the United States removed a vital check on the activities of state-chartered banks. Freed from the Bank's regulations, private banks expanded the volume of bank notes, leading to an increased money supply and inflation.

**The National Banking Act** In 1863, Congress passed the National Banking Act. Federally chartered private banks issued national banknotes, or national currency, which were uniform in appearance and backed by U.S. government bonds.

## Reading a Bank Statement

- Objective:** To understand bank statements
- Focus:** Discuss the accounts available at commercial banks, savings and loan associations, and credit unions.
- Teach:** Discuss how bank statements display information.
- Assess:** Have groups research the features of checking and savings accounts at various financial institutions.
- Close:** Have groups present charts displaying their research.

### Differentiated Instruction Strategies

- BL** Based on the charts, which financial institution would you choose for checking and savings? Write a paragraph explaining your choice.
- AL** Learn how to balance a checking account and demonstrate for the class.
- ELL** Write a paragraph describing what services you or family members use or would like to use at a financial institution.

**The Federal Reserve** The National Banking Act corrected some of the weaknesses of the pre-Civil War banking system. Bank crises, however, did not disappear. The Panic of 1907 resulted in the passage of the Federal Reserve Act of 1913, which you read about earlier in this chapter.

**The Great Depression** The Great Depression of the 1930s dealt a severe blow to the banking industry. When Franklin D. Roosevelt became president, he closed all banks. Each bank was allowed to reopen only after it proved it was financially sound. Congress established the Federal Deposit Insurance Corporation (FDIC), which insured funds of individual depositors.

### Recent Developments

Several more recent developments have also changed the face of American banking. Among these were the savings and loan crisis and congressional legislation.

**The Savings and Loan Crisis** In the late 1970s Congress began to ease regulation of banking activities. Savings and Loans (S&Ls) were allowed to make higher-risk loans and investments. When these investments went bad, hundreds of S&Ls failed in the late 1980s and early 1990s. Because the federal government insured the savings of most depositors, the cost of bailing out these institutions cost taxpayers an estimated \$200 billion. As a result, the FDIC intervened and took over regulation of the S&L industry.

**The Gramm-Leach-Bliley Act** The Gramm-Leach-Bliley Act, passed in 1999, permits bank holding companies greater freedom to engage in a full range of financial services, including banking, insurance, and securities. The act also requires all financial institutions to establish safeguards to protect their customers' personal financial information.

**Reading Check Identifying** Which banks issued paper currency before the Civil War?

## D Differentiated Instruction

**Below Grade Level** Have students create a vertical time line of the changes in banking in the United States using information from pages 668–669. Have students work as a group to make a list of significant dates and summaries of the most important changes that occurred. Encourage them to share their time lines with the class. **BL**

**Reading Check** **Answer:** State chartered banks issued their own paper currency.

## Assess

**Civics ONLINE**

**Study Central™** provides summaries, interactive games, and online graphic organizers to help students review content.

## Close

**Analyzing Information** Have students write a paragraph explaining why a national banking system is needed. **OL**

## Section Review 3

### Vocabulary

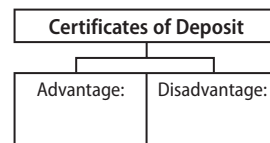
- Write** a paragraph about the activities of a bank using each of these terms: *checking account*, *savings account*, *certificate of deposit (CD)*.

### Main Ideas

- Describing** How do bank loans increase the supply of money?
- Explaining** What effect did the National Banking Act of 1863 have on banking in the United States?

### Critical Thinking

- Predicting** What do you think would happen if everyone who had money deposited at a bank wanted to withdraw it at the same time?
- BIG Ideas** Using a diagram like the one below for certificates of deposit, compare the advantages and disadvantages of putting money into CDs.



### CITIZENSHIP Activity

- Comparing** Obtain brochures from at least three banks that explain the banks' services to customers. How are the services alike? How are they different?
- Creative Writing** Use what you learned in this section to write a TV or radio commercial for a bank, stressing its services.

**Civics ONLINE**

**Study Central™** To review this section, go to [glencoe.com](http://glencoe.com).

## Answers

- Paragraphs should use vocabulary words according to their definitions in the section and in the Glossary.
- Bank loans put deposited money into circulation through loans. The borrowers spend the money and the economy gains.
- The Banking Act created a national currency backed by U.S. government bonds.
- Possible answer:** The bank would probably not be able to pay everyone all the money in his or her account. The bank would have to borrow from the Federal Reserve in order to cover withdrawals or ask the FDIC for help.
- Advantage:** pay more interest than savings; **Disadvantage:** money not available for a set time
- Answers will vary.
- Commercials should promote the bank's services and fit the medium of radio or TV.



**S Skill Practice**

**Analyzing a Flowchart** Ask: **What does the Federal Reserve do with Jennifer's check?** (It credits the company account the check is paid to and sends the check back to Jennifer's bank.) **OL**

**R Reading Strategy**

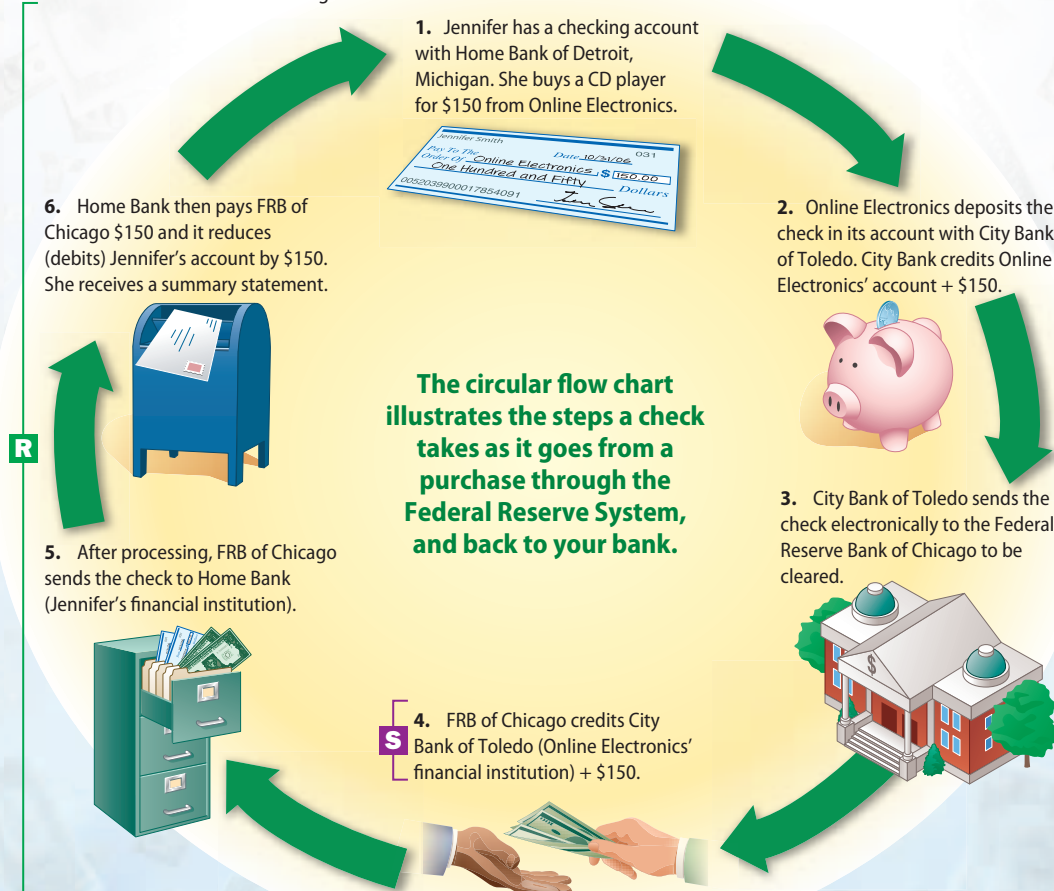
**Summarizing** Remind students that a summary contains the main ideas and most important details of a piece of information. Have students read the flowchart and summarize each step in a phrase or short sentence on a bulleted list. Then have them write a summary of "The Life of a Check" in one paragraph of not more than six sentences using the information on their lists. **BL ELL**

**Analyzing Economics****Answers:**

1. The check has gone through the Federal Reserve banking system and has been credited and debited to accounts.
2. Read your bank statement. Students may also mention calling or going to the bank.

**Additional Support****Life of a Check**

A check is a written order directing your bank to transfer money from your account to the account of whomever receives your check. Millions of checks are moved around the country, sorted, tabulated, and credited or debited to the accounts of financial institutions. This is known as check clearing.

**Analyzing Economics**

1. **Explaining** What does the statement "my check cleared" mean?
2. **Explaining** You receive \$50 and deposit it into your bank. What is one way to make sure this transaction was completed?

**Did You Know?**

**Checking on History** Checks came into use around the early 1500s in Amsterdam, Holland, a major shipping and trading center. Some people deposited their cash with cashiers for a fee because it was safer than keeping it at home. Depositors wrote a note or written order permitting the cashiers to

pay their debts from the money in their accounts. Checking spread to England. The first U.S. checks were used in Boston in 1681. The first printed checks were made in England in 1762. They may have been called "checks" because the serial numbers on them were used to keep track of them.

## What is money?

- anything that people are willing to accept in exchange for goods
- a measure of value
- part of the broad financial system
- a medium of exchange
- a store of value



U.S. Treasury worker

## What is the Federal Reserve?

- serves as the nation's central bank
- wields a great deal of power in our economy
- controls monetary policy
- regulates commercial banks
- affects business through its decisions



The Federal Reserve

A bank ATM customer

## What do banks do?

- provide services to consumers, such as savings and checking accounts and CDs
- make a profit by lending deposited money to consumers



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## Categorizing and Analyzing Information

Have students research current information about how the Federal Reserve is making monetary policy at this time. Helpful Web sites include [www.federalreserve.gov](http://www.federalreserve.gov) (see News & Events; Monetary Policy) and [www.federalreserveonline.org](http://www.federalreserveonline.org). **Ask:**

**What is the current state of the economy? What has the Fed done recently to manipulate the economy?** Have students create a flowchart answering these questions and showing the results of the Fed's actions. Students should present their findings to the class. **OL AL**

For additional practice on this skill (Categorizing and Analyzing Information), see the **Skills Handbook**.

**Organizing** Have students create a flowchart or charts illustrating how money flows to and from federal, state, and local banks. **BL**

## Hands-On Chapter Project

### Step 4: Wrap-Up

## Achieving a Financial Goal

**Step 4: Making a Presentation** Students will make presentations about the federal and state governments' roles in the financial goals their groups have chosen.

**Directions** Group members will research how the federal government and their state

government regulates the loan, mortgage, or security goals they have chosen. For example, they can research regulations regarding mortgages, government lending for mortgages, and consumer protections for mortgage holders. Each group should consult at least four credible sources, includ-

ing two governmental sources. Helpful Web sites include [www.federalreserve.gov](http://www.federalreserve.gov), and [www.federalreserveeducation.org](http://www.federalreserveeducation.org). To wrap up the project, students will discuss how their findings have defined their personal financial goals. **OL**

## Answers and Analyses

### Reviewing Vocabulary

**1. B** Students will have read about currency in Section 1 under "Types of Money," where it is defined as "coins and paper money." One distractor, answer C, might confuse students. Checking accounts, however, are not forms of money. Using the clue "coins," students should be able to eliminate answer A, bank notes, because these were used as paper money but did not include coins. Federal Reserve notes are not mentioned in the chapter.

**2. A** Only credit unions are owned and operated by their members. None of the other choices are institutions owned by depositors.

**3. C** In Section 2, under "Monetary Policy Tools," the discount rate is defined as the rate the Fed charges to member banks for loans. If students chose answer A, dividend, point out dividends are returns on investments such as stocks and are paid to the investor.

**4. B** The clue word "account" and the phrase "writing a check" should lead students to the correct answer. Checks cannot be written on savings accounts or certificates of deposit.

### Reviewing Main Ideas

**5. A** The clue words "make a profit" should steer students away from answers B and C, which describe borrowing activities, not profit-making ones. Regarding "promissary roles," define these as IOUs and have students find the definition in a dictionary. Students can eliminate answer C when they recall that only the Department of the Treasury prints currency.

**6. C** Students should recall that the FDIC was created to insure individual checking and savings deposits. If students choose answer A, they might be mistaking the FDIC for the FOMC. If they choose answers B or D, they might be mistaking the FDIC for the Federal Reserve.

### TEST TAKING TIP

Try not to go back and change your answers unless you are very sure they are wrong. Usually your first thought is your best thought.

### Reviewing Vocabulary

Directions: Choose the word(s) that best completes the sentence.

- \_\_\_\_\_ includes both coins and paper money.
  - Bank notes
  - Currency
  - Checking accounts
  - Federal Reserve notes
- An institution owned and operated by its members that provides low-interest loans to its members is called a \_\_\_\_\_.
  - credit union
  - commercial bank
  - state bank
  - board of governors
- The interest rate that the Federal Reserve charges on loans to its member banks is the \_\_\_\_\_.
  - dividend
  - money supply
  - discount rate
  - medium of exchange
- An account in which deposited money can be withdrawn at any time by writing an order is called a \_\_\_\_\_.
  - savings account
  - checking account
  - discount rate
  - certificate of deposit

### Reviewing Main Ideas

Directions: Choose the best answer for each question.

#### Section 1 (pp. 656–659)

- How do banks and other financial institutions that lend money make a profit?
  - by charging interest
  - by borrowing money
  - by printing currency
  - through promissory notes
- What is the main purpose of the Federal Deposit Insurance Corporation?
  - buy and sell for investors
  - approve changes in the interest rate
  - insure checking and savings deposits
  - make decisions that affect the economy as a whole

#### Section 2 (pp. 660–665)

- The central bank of the United States is the \_\_\_\_\_.
  - Board of Governors
  - Federal Reserve System
  - Federal Open Market Committee
  - Federal Deposit Insurance Corporation
- The Fed requires banks to keep a \_\_\_\_, or a percentage of their money.
 

<b>A</b> reserve	<b>C</b> interest rate
<b>B</b> discount rate	<b>D</b> growth rate

#### Section 3 (pp. 666–669)

- In what kind of account do savers have the most control over their money?
  - savings accounts
  - certificates of deposit
  - open market operation
  - legal tender

GO ON 

**7. B** Only answer B is a banking system. If students make another choice, they may need to review the functions of these other institutions.

**8. A** Some students might not understand what the reserve requirement of the Federal Reserve means. Information on the reserve requirement for member banks in the Federal Reserve appears under the heading "Monetary Policy Tools" in Section 2.

**9. A** To answer this question, students must know that the money invested in certificates of deposit cannot be withdrawn (without large penalties) during the period of investment. If students eliminate answers C and D because neither are accounts, they can then rely on their previous knowledge as well as information in the text to lead them to answer A, "savings accounts."



10. A deposit account that requires savers to deposit their money for a certain period of time is a \_\_\_\_\_.
- A savings account
  - B certificate of deposit
  - C open market operation
  - D legal tender

### Critical Thinking

Directions: Base your answers to questions 11 and 12 on the chart below and your knowledge of Chapter 24.

Functions of Money
Medium of exchange
Store of value
Measure of value

11. If you read in the newspaper that the Federal Reserve had just lowered the discount rate, what might you conclude about the economy?
- A The nation is in a financial crisis.
  - B The economy is operating at full capacity.
  - C The Fed wants to discourage bank loans.
  - D The economy is sluggish and needs to be stimulated.
12. Money serves as a measure of value. What does this mean?
- A Your money is safe in a savings account.
  - B Money is a value medium everyone understands.
  - C Money owed must be paid.
  - D CDs are a good investment.
13. To say that money is a medium of exchange means that \_\_\_\_\_.
- A money is durable
  - B an item for sale is marked with a price
  - C money can be deposited in a bank
  - D a seller will accept it in exchange for a good or service

### Document-Based Questions

Directions: Analyze the document and answer the short-answer questions that follow.

Ben S. Bernanke was sworn in on February 1, 2006, as chairman of the Board of Governors of the Federal Reserve System. This passage is from a speech given by Bernanke in November 2006.

*Inflation, which picked up earlier this year, has been somewhat better behaved of late. Overall inflation was pushed up this spring by a surge in energy prices, but the recent declines in energy prices have largely reversed those effects. Price inflation for consumer goods and services excluding energy and food, the so-called core inflation rate, has also moderated a bit in the past few months. But the level of the core inflation rate remains uncomfortably high.*

—Ben S. Bernanke

14. How does Bernanke characterize the rate of inflation—in positive terms, negative terms, or both? Explain.
15. Is Bernanke calling for any specific action or policy to combat inflation? Based on your reading, what could cause the Fed to take action?

### Extended-Response Question

16. When the Federal Reserve was started, it was to serve the function of a “lender of last resorts.” Do you think banks need the Federal Reserve to act as a lender of last resorts more often during good economic times or bad economic times? Explain.

**STOP**



For additional test practice, use Self-Check Quizzes—Chapter 24 on [glencoe.com](http://glencoe.com).

### Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Go to page...	657	658	664	667	658	659	661	665	667	667	664	657	657	660	660	660

## STANDARDIZED TEST PRACTICE

13. D To answer the question, students must understand that medium is being used to mean “a way or a form of exchange.” Answer A is the easiest to eliminate because it does not deal with this function of money. Regarding answer C, money deposited in a bank is *not* exchanged for goods or services. Answer B might be confusing because the price of an item for sale is related to money’s function as a medium of exchange.

### Document-Based Questions

14. Bernanke characterizes the rate of inflation in both positive and negative terms. The positive news is that the inflation rate has moderated or lowered slightly. However, the negative news is that the inflation rate remains high.

15. Bernanke feels that although the inflation rate is “uncomfortably high,” no action is needed at this time. The Fed might take action if inflation continues or worsens.

### Extended Response

16. Students should note that most likely banks would need the Fed as a “lender of last resort” during bad economic times. If people and businesses cannot repay their loans, banks lose money and need assistance from the Fed in order to have the money on hand to pay interest and withdrawals to depositors.

10. B This question also requires students to recall information about certificates of deposit. If students pay careful attention to the clue words “deposit accounts,” they will eliminate answers C and D, which have nothing to do with deposit accounts.

### Critical Thinking

11. D This question requires a careful reading of how the Fed uses monetary policy to manage the economy. The text on monetary policy states that more borrowing can

lead to business expansion, more jobs, and more money for consumers to spend, thereby stimulating the economy.

12. B To answer this question, students must infer that “measure of value” means “a way of assigning value to goods and services.” When it is said that a good or service costs \$20, we know exactly what that means.



Have students visit the Web site at [glencoe.com](http://glencoe.com) to review Chapter 24 and take the **Self-Check Quiz**.

### Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.